

AMENDED IN ASSEMBLY APRIL 29, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 1569**

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**Introduced by Assembly Member Rodriguez**

January 30, 2014

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An act to add and repeal *Section 3073.7 of the Labor Code, and to add and repeal Sections 17053.10, 19560.3, and 23667 of the Revenue and Taxation Code*, relating to taxation, to take effect immediately, tax levy.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1569, as amended, Rodriguez. Income taxes: credits: apprenticeships.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws. Existing law provides for the establishment of apprenticeship programs in various trades, to be approved by the Chief of the Division of ~~Industrial Relations~~ *Apprenticeship Standards* in any trade in the state or in a city or trade area whenever the apprentice training needs justify the establishment.

This bill, for taxable years beginning on or after January 1, 2016, and before January 1, 2020, would allow a credit against the taxes imposed under those tax laws in an amount equal to \$2,000 for each registered apprentice, as defined, trained by the taxpayer in the taxable year. *This bill would require the Division of Apprenticeship Standards in the Department of Industrial Relations, among other things, to establish a procedure for taxpayers, in the form and manner jointly prescribed by the Division of Apprenticeship Standards and the Franchise Tax Board, to apply and receive a certificate for purposes of the credit. This bill*

would also require the Division of Apprenticeship Standards to prepare reports for each of the 5 calendar years beginning on January 1, 2017, and before January 1, 2022, containing specified information relating to the credits, to be submitted to the Assembly and Senate Appropriations Committees, the Assembly Revenue and Taxation Committee, and the Senate Governance and Finance Committee on or before March 1 of the following calendar year, commencing March 1, 2018.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 3073.7 is added to the Labor Code, to  
2     read:  
3     3073.7. (a) The Division of Apprenticeship Standards shall  
4     prepare reports on the apprenticeship income tax credits allowed  
5     under Sections 17053.10 and 23667 of the Revenue and Taxation  
6     Code. The reports shall be for each of the five calendar years  
7     beginning on January 1, 2017, and before January 1, 2022, and  
8     shall include, but not be limited to, the following information:  
9     (1) The number of companies or businesses taking advantage  
10    of the apprenticeship income tax credit.  
11    (2) The number of apprentices participating in the  
12    apprenticeship programs and the number of apprentices who  
13    completed an apprenticeship program which was the basis of the  
14    apprenticeship income tax credits allowed under Sections 17053.10  
15    and 23667 of the Revenue and Taxation Code.  
16    (3) The number of apprentices that were hired by the taxpayer  
17    after the apprenticeship training was completed for which the  
18    taxpayer was allowed a credit under Sections 17053.10 and 23667  
19    of the Revenue and Taxation Code for training that apprentice.  
20    (4) Information on the employment status of individuals who  
21    have completed an apprenticeship to the extent the information is  
22    available.  
23    (5) The fiscal impact of the apprenticeship income tax credits.  
24    (b) This report shall be submitted to the Assembly and Senate  
25    Appropriations Committees, the Assembly Revenue and Taxation  
26    Committee, and the Senate Governance and Finance Committee

1 *on or before March 1 of the following calendar year, commencing*  
2 *March 1, 2018.*

3 *(c) This section shall be repealed on January 1, 2023.*

4 **SECTION 1.**

5 *SEC. 2.* Section 17053.10 is added to the Revenue and Taxation  
6 Code, to read:

7 17053.10. (a) For each taxable year beginning on or after  
8 January 1, 2016, and before January 1, 2020, there shall be allowed  
9 as a credit against the “net tax,” as defined in Section 17039, in  
10 an amount equal to two thousand dollars (\$2,000) for each  
11 registered apprentice trained by the taxpayer in the taxable year.

12 (b) For purposes of this section, “registered apprentice” means  
13 ~~a person~~ *an individual* who meets all of the following requirements:

14 (1) Is 16 years of age or older, ~~but under 25 years of age~~ *at the*  
15 *time of application into the program.*

16 (2) Has not obtained a high school diploma, and is enrolled in  
17 high school or a General Education Development test preparation  
18 program, *or is currently enrolled for the duration of the program*  
19 *and remains enrolled and completes the program while*  
20 *participating in the apprenticeship.*

21 (3) Is trained by the taxpayer through an apprenticeship program  
22 that meets all of the following requirements:

23 (A) The apprenticeship program is approved by the Chief of  
24 the Division of Apprenticeship Standards pursuant to Chapter 4  
25 (commencing with Section 3070) of Division 3 of the Labor Code  
26 *and is also registered with the Office of Apprenticeship at the*  
27 *United States Department of Labor.*

28 (B) The program is provided pursuant to an apprenticeship  
29 agreement as described in Section 3077 of the Labor Code.

30 (C) The minimum term in hours for the program is 4,000 hours.

31 ~~(e) Upon request of the Franchise Tax Board, the taxpayer shall~~  
32 ~~provide a copy of the apprenticeship agreement to the Franchise~~  
33 ~~Tax Board.~~

34 (c) (1) (A) *A credit shall only be allowed under this section*  
35 *for the taxable year if the taxpayer has received the certificate*  
36 *described in subparagraph (B) from the Division of Apprenticeship*  
37 *Standards in the Department of Industrial Relations. A certificate*  
38 *is required for each taxable year. The taxpayer shall provide a*  
39 *copy of the certificate to the Franchise Tax Board upon request.*

1     (B) *The Division of Apprenticeship Standards shall do all of*  
2 *the following:*

3     (i) *Establish a procedure for taxpayers, in the form and manner*  
4 *jointly prescribed by the Division of Apprenticeship Standards*  
5 *and the Franchise Tax Board, to apply and receive a certificate*  
6 *for purposes of this section.*

7     (ii) *Verify that the taxpayer is training during the taxable year*  
8 *an individual that meets the requirements to be a registered*  
9 *apprentice as described in subdivision (b).*

10    (iii) *Provide the taxpayer with a certificate for the registered*  
11 *apprentice. The certificate shall contain the name of the taxpayer*  
12 *and the name of the apprentice, a brief description of the*  
13 *apprenticeship, the primary location of the apprenticeship, and*  
14 *any other information the Division of Apprenticeship Standards*  
15 *or the Franchise Tax Board deems relevant.*

16    (iv) *Annually provide the Franchise Tax Board with a list of the*  
17 *names of the taxpayers that received certificates and the names of*  
18 *the registered apprentices of the taxpayer. The list may also contain*  
19 *any other information from the certificates.*

20    (v) *Inform the Franchise Tax Board if the Division of*  
21 *Apprenticeship Standards has knowledge that the training of a*  
22 *registered apprentice is terminated prior to the completion of the*  
23 *apprenticeship program after the taxpayer has received a*  
24 *certificate.*

25    (2) *The Division of Apprenticeship Standards may adopt rules*  
26 *and regulations as reasonably necessary to effectuate this*  
27 *subdivision, but shall consult with the Franchise Tax Board.*

28    (d) *In the case where the credit allowed by this section exceeds*  
29 *the “net tax,” the excess may be carried over to reduce the “net*  
30 *tax” in the following year, and succeeding four years, if necessary,*  
31 *until the credit is exhausted.*

32    (e) *The Franchise Tax Board may prescribe rules, guidelines,*  
33 *or procedures necessary or appropriate to carry out the purposes*  
34 *of this section, except as otherwise specified in subdivision (c).*

35    (f) (1) *Except as provided in paragraph (2), if the training of*  
36 *a registered apprentice is terminated prior to the completion of*  
37 *the apprenticeship program, any unused carryover of the credit*  
38 *shall be canceled and any previously claimed credit that reduced*  
39 *net tax shall be recaptured by increasing the tax imposed by this*  
40 *part for the taxable year in which the training is terminated.*

(2) Paragraph (1) shall not apply if the training of a registered apprentice was terminated due to any of the following:

(A) The registered apprentice voluntarily leaves the apprenticeship program.

(B) The registered apprentice, before the end of the completion of the apprenticeship program described in paragraph (3) of subdivision (b), becomes disabled and unable to perform the services of that program, unless that disability is removed before the close of the period of that program and the taxpayer fails to offer reinstatement to the program for that apprentice.

(C) The training of a registered apprentice was terminated due to the misconduct, as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations, of that apprentice.

(D) The training of a registered apprentice was terminated due to a substantial reduction in the trade or business operations of the taxpayer.

(E)

(g) This section shall remain in effect only until December 1, 2020, and as of that date is repealed.

SEC. 3. Section 19560.3 is added to the Revenue and Taxation Code, to read:

19560.3. The Franchise Tax Board shall provide the Division of Apprenticeship Standards in the Department of Industrial Relations with any information necessary to prepare the report required pursuant to Section 3073.7 of the Labor Code.

~~SEC. 2.~~

SEC. 4. Section 23667 is added to the Revenue and Taxation Code, to read:

23667. (a) For each taxable year beginning on or after January 1, 2016, and before January 1, 2020, there shall be allowed as a credit against the "tax," as defined in Section 23036, in an amount equal to two thousand dollars (\$2,000) for each registered apprentice trained by the taxpayer in the taxable year.

(b) For purposes of this section, "registered apprentice" means a person an individual who meets all of the following requirements:

(1) Is 16 years of age or older, but under 25 years of age at the time of application into the program.

(2) Has not obtained a high school diploma, and is enrolled in high school or a General Education Development test preparation

1 program, or is currently enrolled for the duration of the program  
2 and remains enrolled and completes the program while  
3 participating in the apprenticeship.

4 (3) Is trained by the taxpayer through an apprenticeship program  
5 that meets all of the following requirements:

6 (A) The apprenticeship program is approved by the Chief of  
7 the Division of Apprenticeship Standards pursuant to Chapter 4  
8 (commencing with Section 3070) of Division 3 of the Labor Code  
9 and is also registered with the Office of Apprenticeship at the  
10 United States Department of Labor.

11 (B) The program is provided pursuant to an apprenticeship  
12 agreement as described in Section 3077 of the Labor Code.

13 (C) The minimum term in hours for the program is 4,000 hours.

14 ~~(e) Upon request of the Franchise Tax Board, the taxpayer shall~~  
15 ~~provide a copy of the apprenticeship agreement to the Franchise~~  
16 ~~Tax Board.~~

17 (c) (1) (A) A credit shall only be allowed under this section  
18 for the taxable year if the taxpayer has received the certificate  
19 described in subparagraph (B) from the Division of Apprenticeship  
20 Standards in the Department of Industrial Relations. A certificate  
21 is required for each taxable year. The taxpayer shall provide a  
22 copy of the certificate to the Franchise Tax Board upon request.

23 (B) The Division of Apprenticeship Standards shall do all of  
24 the following:

25 (i) Establish a procedure for taxpayers, in the form and manner  
26 jointly prescribed by the Division of Apprenticeship Standards  
27 and the Franchise Tax Board, to apply and receive a certificate  
28 for purposes of this section.

29 (ii) Verify that the taxpayer is training during the taxable year  
30 an individual that meets the requirements to be a registered  
31 apprentice as described in subdivision (b).

32 (iii) Provide the taxpayer with a certificate for the registered  
33 apprentice. The certificate shall contain the name of the taxpayer  
34 and the name of the apprentice, a brief description of the  
35 apprenticeship, the primary location of the apprenticeship, and  
36 any other information the Division of Apprenticeship Standards  
37 or the Franchise Tax Board deems relevant.

38 (iv) Annually provide the Franchise Tax Board with a list of the  
39 names of the taxpayers that received certificates and the names of

1 *the registered apprentices of the taxpayer. The list may also contain*  
2 *any other information from the certificates.*

3 *(v) Inform the Franchise Tax Board if the Division of*  
4 *Apprenticeship Standards has knowledge that the training of a*  
5 *registered apprentice is terminated prior to the completion of the*  
6 *apprenticeship program after the taxpayer has received a*  
7 *certificate.*

8 *(2) The Division of Apprenticeship Standards may adopt rules*  
9 *and regulations as reasonably necessary to effectuate this*  
10 *subdivision, but shall consult with the Franchise Tax Board.*

11 *(d) In the case where the credit allowed by this section exceeds*  
12 *the “tax,” the excess may be carried over to reduce the “net tax”*  
13 *in the following year, and succeeding four years, if necessary, until*  
14 *the credit is exhausted.*

15 *(e) The Franchise Tax Board may prescribe rules, guidelines,*  
16 *or procedures necessary or appropriate to carry out the purposes*  
17 *of this section, except as otherwise specified in subdivision (c).*

18 *(f) (1) Except as provided in paragraph (2), if the training of*  
19 *a registered apprentice is terminated prior to the completion of*  
20 *the apprenticeship program, any unused carryover of the credit*  
21 *shall be canceled and any previously claimed credit that reduced*  
22 *tax shall be recaptured by increasing the tax imposed by this part*  
23 *for the taxable year in which the training is terminated.*

24 *(2) Paragraph (1) shall not apply if the training of a registered*  
25 *apprentice was terminated due to any of the following:*

26 *(A) The registered apprentice voluntarily leaves the*  
27 *apprenticeship program.*

28 *(B) The registered apprentice, before the end of the completion*  
29 *of the apprenticeship program described in paragraph (3) of*  
30 *subdivision (b), becomes disabled and unable to perform the*  
31 *services of that program, unless that disability is removed before*  
32 *the close of the period of that program and the taxpayer fails to*  
33 *offer reinstatement to the program for that apprentice.*

34 *(C) The training of a registered apprentice was terminated due*  
35 *to the misconduct, as defined in Sections 1256-30 to 1256-43,*  
36 *inclusive, of Title 22 of the California Code of Regulations, of that*  
37 *apprentice.*

38 *(D) The training of a registered apprentice was terminated due*  
39 *to a substantial reduction in the trade or business operations of*  
40 *the taxpayer.*

1     ~~(f)~~  
2     (g) This section shall remain in effect only until December 1,  
3     2020, and as of that date is repealed.  
4     ~~SEC. 3.~~  
5     SEC. 5. This act provides for a tax levy within the meaning of  
6     Article IV of the Constitution and shall go into immediate effect.

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